

## Inside EPA

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# Offshore Wind Industry Driving Newsom Push For State Power-Buying Entity

By Curt Barry

The offshore wind industry is playing a leading role in California Gov. Gavin Newsom's (D) push for lawmakers to approve controversial legislation to establish a new "central procurement" process with a state power-buying entity, with industry leaders considering it imperative for the state to provide the needed capital to back the long-term, risky ventures.

"I was at the Pacific Coast wind convention yesterday [in Sacramento] . . . and all of the panelists said the same thing - if we don't have central procurement, we will not acquire 25 gigawatts of offshore wind," to help the state meet its greenhouse gas and climate targets, said Assemblyman Steve Bennett (D-Ventura), chairman of the Assembly budget subcommittee with oversight of energy and climate programs, during a May 10 hearing on Newsom's proposal.

"They said it just won't happen. Nobody's going to take that risk without such a procurement" authority, Bennett added.

Hundreds of offshore wind energy industry leaders, stakeholders and government officials were attending the May 10-11 Pacific Offshore Wind Summit in Sacramento only blocks from the subcommittee hearing. The summit was hosted by Offshore Wind California (OWC), which "urged the state to move with speed and scale on key next steps to bring offshore wind online -- including transmission and port upgrades, procuring at scale, a permitting roadmap, supply chain, workforce training, and suitable sea space to reach the state's goals," states a May 11 press release from OWC.

The group is "a coalition of industry partners with a shared interest in promoting policies and public support for responsible development of offshore wind power in California."

While state lawmakers are generally supportive of offshore wind energy, they have already raised a number of concerns about the governor's proposal for a central procurement entity, including during an Assembly committee hearing last week. They said [they would like to narrow the plan](#) to ensure it can only purchase clean power in part to help protect local communities while maintaining a reliable grid and achieving the state's 2045 carbon-neutrality target.

Newsom unveiled the proposal earlier this year in a draft budget trailer bill. Assemblyman Eduardo Garcia (D-Coachella), chairman of the Assembly Utilities & Energy Committee, decided to place the proposal in a policy bill to enable more discussion and negotiation by lawmakers and stakeholders than is afforded under the budget-approval process. The bill, AB 1373, will next be considered by the Assembly Appropriations Committee.

The proposal comes amid California's ongoing struggles to maintain a reliable electricity system while ramping up renewable energy to meet aggressive clean power and GHG-reduction targets.

### Proposal Details

The plan would in part create a central procurement entity (CPE), potentially at the Department of Water Resources (DWR), to buy "diverse clean energy resources" if determined necessary by the California Public Utilities Commission (CPUC) based on a review of progress being made by load-serving entities (LSEs) to meet their procurement targets, including those to help meet the state's renewable power and zero-carbon resource targets, explains a committee analysis.

"Upon a CPUC determination, DWR would conduct one or more competitive solicitations of 'diverse clean energy resources,' as determined by the CPUC, which shall include resources that have a first point of interconnection with the transmission or distribution grid within a California balancing authority (BA) area," the analysis explains.

Purchases made by DWR would be paid for through higher rates on utility customers.

During a March 22 Assembly budget subcommittee hearing, Leuwam Tesfai, CPUC's deputy executive director of energy and climate policy, said the state needs a new central procurement entity for a range of reasons.

"The commission has determined that clean, diverse, long lead-time resources are needed to meet California's 2045 climate and reliability goals within the electric sector," she testified. "There is a need for resource diversity within the state's electric sector portfolio, and long lead-time, diverse resources provide reliability and greenhouse gas-reduction benefits to the system that would not be procured in the typical procurement activities of our current [LSEs], which have largely been contracting for solar photovoltaic, battery, and on-shore wind resources."

State regulators "continue to see a disproportionately high amount of procurement of these types of resources, which won't be sufficient to meet our reliability or long-term climate goals, and planned action will likely be needed to happen to support that effort," Tesfai continued.

"Long lead-time resources can be hard to procure. We push for the most competitive and clean resources -- so resources like offshore wind, for example, despite its value, will not come to the top of a resource solicitation," she added. "Electric market competition and energy resource development complexities have thus far prevented significant procurement of certain long lead-time and diverse clean energy resources."

Offshore wind; large-scale, long-duration energy storage; and geothermal power "have features that make them likely to require the support from some form of centralized procurement if they are to be procured at all," Tesfai added. "These features include a high level of development risk, long development timelines, economies of scale, and need for significant new transmission to access key resources, federal and state permitting processes and siting processes, and non-transmission infrastructure buildouts -- like to our ports. And material supply chains that require extensive state level interagency coordination -- which is what we are doing."

### **Lawmakers Seek 'Guardrails'**

Tesfai and other Newsom administration officials repeated these claims during the May 10 budget subcommittee hearing.

But lawmakers are pressing the administration to insert "guardrails" into the legislation to ensure that DWR is not allowed to purchase different types of energy other than the long-term resources being discussed, expressing concerns that without clarifying such matters in the measure, CPUC and DWR would ultimately be able to make a range of decisions without proper oversight.

However, to this point, Newsom officials are declining to amend the legislation to restrict the types of power DWR can buy to offshore wind, long-term battery storage and geothermal.

Some stakeholder groups are also raising concerns about the proposal, including municipal utilities and community choice aggregators, which in part argue that it isn't clear that a central procurement entity is required to entice developers to invest in long lead-time power such as battery storage and geothermal. They also fear the newly created DWR entity will have a competitive advantage over other utilities and energy buyers to secure such contracts.

In addition, they are opposing new "capacity payments" proposed in the legislation that would require utilities to pay a fee for procuring power from the state's newly created Strategic Energy Reserve, which is intended to secure adequate amounts of power to avoid blackouts during events where the reliability of the grid is threatened.

Others, including the state Legislative Analyst's Office, are raising concerns that the new power-buying authority will further drive up utility customer rates, which are already among the highest in the nation. -- *Curt Barry*